

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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CONFORMED COPY

April 28, 2011

Honorable Ken Edward Kandodo, M.P.
Minister of Finance
Ministry of Finance
Lilongwe 3
Republic of Malawi

Re: European Community Grant for the Co-financing of Part A of the
Business Environment Strengthening Technical Assistance
Project (Grant No. TF091620)

Excellency:

In response to the request for financial assistance made on behalf of the Republic of Malawi ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank"), acting as administrator of grant funds provided by European Community under the Business Environment Strengthening Technical Assistance Trust Fund, proposes to extend to the Recipient a grant in an amount not to exceed two million seven hundred and forty four thousand Euros (EUR 2,744,000) ("Grant") to co-finance Part A of the Business Environment Strengthening Technical Assistance Project ("BESTAP"), as such the same is described in the Financing Agreement signed between the Recipient and the International Development Association dated July 17, 2007, as amended from time to time ("Financing Agreement"). The Grant is provided to the Recipient on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project"). This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the related amendment to the Financing Agreement setting out the restructuring of BESTAP becomes effective.

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Olivier Godron
Olivier Godron
Acting Country Director for Malawi, Zambia and Zimbabwe
Africa Region

AGREED:

REPUBLIC OF MALAWI

By: /s/ Ken Edward Kandodo
Authorized Representative

Name: Ken Edward Kandodo

Title: Minister of Finance

Date: May 13, 2011

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 1, 2008
- (2) Disbursement Letter of even date herewith, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

Article I

Standard Conditions; Definitions

1.01. *Standard Conditions.* The Standard Conditions for Grants Made by the World Bank Out of Various Funds dated July 1, 2008 (“Standard Conditions”) constitute an integral part of this Agreement.

1.02. *Definitions.* Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions, the Financing Agreement, or in this Agreement.

Article II Project Execution

2.01. *Project Objectives and Description.* The objective of the Project is to improve the ease of business processes in Malawi.

Part A of BESTAP, as set out in the Financing Agreement, consists of the following activities:

“Part A: Strengthening Property Rights Institutions and Business Facilitation

1. Streamlining the Business Regulatory Framework

Strengthening the Recipient’s business regulatory environment by: (a) carrying out of a diagnostic review of economic laws including the companies act to identify those requiring revision on a priority basis; (b) expanding the legal drafting section of the Ministry of Justice through the recruitment of two draftspersons to draft revisions to identified economic laws; (c) providing training to strengthen the legislative drafting capacity of the Ministry of Justice, including short-term attachments in other common law jurisdictions; and (d) carrying out of sensitization workshops on the Recipient’s economic laws legislative reform program to key stakeholders, including parliamentary committees, civil society, and the private sector.”

2. Improving Access to Commercial Justice

Supporting the operations of the High Court’s Commercial Division by: (a) establishing information systems for effective court case management and alternative dispute resolution services; (b) strengthening its institutional capacity through the provision of training to judges, registrars, and ADR administrators, including short- term attachments in other common law jurisdictions; study tours; and on-the-job training by foreign judges, registrars, and ADR administrators, attached to the Recipient’s High Court; and (c) carrying out private sector awareness programs on procedures for institution of legal actions in commercial cases.

3. Improving Business, Land Registration, and Business Permit Issuance Services

Strengthening the capacity of land and business registries to provide effective securitization and/or registration services, as the case may be, through: (a) computerization of the business and land registries; (b) restructuring of the operational and procedural framework of the business and land registries; (c) supporting the operation of the Department of Immigration through upgrading the information technology infrastructure to establish an efficient process of issuance of business residency permits and temporary employment permits; and (d) provision of staff training.

4. Project Management and Coordination

Provision of operational support to the key implementing agencies of BESTAP including, Ministry of Justice, High Court Commercial Division, Registrar General's Office and Ministry of Lands to facilitate implementation of their respective activities, as described in Parts (1) through (3) above.

2.02. ***Project Execution Generally.*** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 ("Anti-Corruption Guidelines"); (c) this Article II; and (d) the following provisions of the Financing Agreement: Section 3.01. and Schedule 2 (Section I: A (Implementation Arrangements (to the extent applicable to Part A of the Project)); B (Anti-corruption); C (Project Implementation Manual); D (Annual Work Plans and Budgets); and Section II.A (b) and (c).

2.03. ***Donor Visibility.*** (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the European Community's support for the Project.

2.04. ***Project Monitoring, Reporting and Evaluation.*** (a) The Recipient shall monitor and evaluate the progress of Part A of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators agreed with the World Bank, as set out in Section II.A (b) of Schedule 2 to the Financing Agreement. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the World Bank not later than forty five (45) days after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

2.05. ***Financial Management.*** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for Part A of the Project are prepared and furnished to the World Bank not later than forty five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.06. *Procurement*

(a) General. All goods and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004, revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004, revised in October 2006 and May 2010 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods

(i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts specified in the Procurement Plan: (A) National Competitive Bidding (subject to modifications in subparagraph (iii) below); (B) Shopping; and (C) Direct Contracting.

(iii) National Competitive Bidding may be used subject to the following additional procedures: (a) Regulation 80.3(b) (ii) of the Public Procurement Regulations permitting the consideration of unquantifiable criteria, such as local content, technology transfer, and managerial, scientific, and operational skills development, in the evaluation of bids shall not apply; (b) Regulation 80.4 of the Public Procurement Regulations permitting domestic preference shall not apply; (c) Regulations 164(i) and (j) of the Public Procurement Regulations permitting the division of contracts into small lots and the restriction of contracts to small enterprises, respectively, for purposes of promotion of the participation of small enterprises, shall not apply; and (d) bidding documents and contracts shall include the following provisions: (i) pursuant to paragraph 1.14(e) of the Procurement Guidelines, bidders, suppliers, and contractors are required to permit the Association to inspect their accounts and records and other documents relating to the bid submission and contract performance and to have them audited by auditors appointed by the World Bank; and (ii) pursuant to paragraph 1.14(a)(v)(bb) of the Procurement Guidelines, acts intended to materially impede the exercise of the Association's said inspection and audit rights are considered to be an obstructive practice within the meaning of paragraph 1.14 of the Procurement Guidelines.

(d) Particular Methods of Procurement of Consultants' Services

(i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Quality Based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants' Qualifications; (E) Single Source Selection; (F) Selection of Individual Consultants; and (G) Commercial Practices.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Article III
Withdrawal of Grant Proceeds

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in Euros)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, consultant services, Operating Costs, and Training and Workshops	2,744,000	100%
TOTAL AMOUNT	2,744,000	

For the purposes of this paragraph, the terms:

(a) “Operating Costs” means the incremental operating costs arising under the Project on account of Project coordination, implementation, and monitoring activities undertaken by the Project Implementation Unit (“PIU”) including office supplies, utilities, office rentals, and vehicle operation and maintenance costs, but excluding salaries of the Recipient’s civil servants, as set forth in the annual work plans and budgets submitted by the Recipient to the World Bank for its approval from time to time.

(b) “Training and Workshops” means the reasonable cost of: (i) training materials and rental of training facilities and equipment; (ii) tuition fees, travel, accommodation and per diem of trainers and trainees; and (iii) any other expenses related to training (including study tours and workshops) to be carried out under the Project; and

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

303. **Withdrawal Period.** The Closing Date referred to in Section 3.06(c) of the Standard Conditions is December 31, 2011.

Article IV
Recipient's Representative; Addresses

4.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance.

4.02. **Recipient's Address.** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
P.O. Box 30049
Capital City
Lilongwe 3
Malawi

Cable:	Telex:	Facsimile:
FINANCE Lilongwe	44407 MI	265-1-789173

4.03. **World Bank's Address.** The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145	1-202-477-6391 (MCI)